

Message Text

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ACTION NEA-10

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

A-01 OPR-02 SY-05 OC-06 CCO-00 EB-07 COME-00 TRSE-00

OPIC-03 XMB-02 SAM-01 SAJ-01 SCCT-01 SSM-03 INT-05

AID-05 /112 W

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R 161430Z AUG 76

FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC 8217

INFO AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY JIDDA

AMEMBASSY TEL AVIV

USMISSION USUN NY

C O N F I D E N T I A L JERUSALEM 1089

E.O. 11652: GDS

TAGS: ECON, PINS, IS, JO

SUBJ: PERES REPORTEDLY HINTS VAT MAY GO UNCOLLECTED ON WEST BANK;
SOUTH JOINS NORTH IN STRIKE

REF: JERUSALEM 1082

1. THE ANTI-VAT STRIKE IN NABLUS, TULKARM AND JENIN
ENTERED ITS SIXTEENTH DAY AUG. 16. ACCORDING TO ISRAELI
RADIO, OTHER MAJOR WEST BANK CITIES, EXCEPT JERICHO, RESUMED
THE STRIKE AFTER VARYING PERIODS OF NORMAL ACTIVITY. INCENTIVE
FOR THIS RENEWAL SEEMS TO BE THREE-DAY, ANTI-VAT STRIKE
OF ISRAELI GROCERS.

2. BETHLEHEM MAYOR ELIAS FREIJ TOLD CONGEN OFFICER AUG. 15
THAT DEFMIN PERES CLEARLY HINTED IN MEETING WITH WB REPRESENTA-
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TIVES AUG. 13 THAT SERIOUS EFFORT WILL BE MADE TO COLLECT

VAT FROM WEST BANK MERCHANTS. PERES PRIVATE ASSURANCE CAME IN ADDITIONAL TO FOUR PUBLIC CONCESSIONS. (SEE REFTTEL) ACCORDING TO FREIJ, PERES NOTED IN ENGLISH AT THE END OF THE MEETING THAT 90 PER CENT OF ISRAELI LEGISLATION WHICH HAS BEEN VALID, IN THEORY, IN EAST JERUSALEM SINCE ITS ANNEXATION IN 1967 HAS, IN FACT, NOT BEEN REGOROUSLY APPLIED. HE IMPLIED THAT SUCH WOULD BE THE CASE FOR VAT IN THE WEST BANK, THOUGH NOT NECESSARILY IN EAST JERUSALEM.

3. FREIJ, WHO OWNS ONE OF THE LARGEST SOUVENIR SHOPS IN BETHLEHEM, SAID HE WILL NOT ADD TAX TO THE PRICE OF HIS STORE'S ITEMS, NO WILL HE KEEP BOOKS AS REQUIRED TO OBTAIN A REBATE ON THE TAX.

4. ACCORDING TO THE JERUSALEM POST, JERUSALEM'S ISRAELI GROCERS WHO BEGAN THEIR OWN THREE-DAY ANTI-VAT STRIKE AUG. 16 HAVE DEMANDED THE SAME RELIEF THAT HAS BEEN OFFERED WEST BANKERS. MOST IMPORTANT CONCESSION IS EXEMPTION FROM VAT AND RELATED BOOKKEEPING REQUIREMENT FOR BUSINESSES WITH YEARLY TURNOVER LESS THAN IL 500,000 (ABOUT \$62,500). FRIEJ ESTIMATES THIS EXEMPTION WILL LEAVE ONLY 500 OF 15,000 WEST BANK BUSINESS ESTABLISHMENTS SUBJECT, EVEN IN THEORY, TO THE VAT.
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04 MAY 2006

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